



The City of San Diego

PROPOSED BUDGET



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Introduction

The Fiscal Year 2013 Proposed Budget represents the resolution of the City's structural deficit. Through a combination of organizational downsizing, cost savings measures, reforms, and program and service cuts, the structural budget deficit has been solved, and projected revenues are expected to support current service levels for the foreseeable future. In October 2011, the Mayor released an update to his Five-Year Financial Outlook, which projected a General Fund shortfall of \$31.8 million in Fiscal Year 2013. This deficit has been addressed and, in addition, modest service restorations are included in the Fiscal Year 2013 Proposed Budget through the fiscal measures described in this section.

City Budget Overview

The City of San Diego's Fiscal Year 2013 Proposed Budget of \$2.71 billion is comprised of six operating fund type categories (General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Project Funds, Enterprise Funds, and Internal Service Funds) and the Capital Improvements Program (CIP). **Table 1** shows the change in expenditures for operations from Fiscal Year 2011 to Fiscal Year 2013 by fund type and for the CIP.

Table 1: Total City Expenditure Changes Fiscal Years 2011 - 2013 by Fund Type/Program

Fund Type	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget	FY 2012 - FY 2013 Change	Percent Change
General Fund ¹	\$ 1,080,370,714	\$ 1,128,388,274	\$ 1,150,176,954	\$ 21,788,680	1.9%
Special Revenue Funds ²	299,852,771	426,017,094	354,646,695	(71,370,399)	(16.8)%
Debt Service and Tax Funds	5,057,141	3,759,273	1,200,000	(2,559,273)	(68.1)%
Capital Project Funds	8,662,411	17,228,815	11,470,515	(5,758,300)	(33.4)%
Enterprise Funds	764,370,384	896,505,965	903,057,384	6,551,419	0.7%
Internal Service Funds	134,633,147	115,371,614	95,189,083	(20,182,531)	(17.5)%
Capital Improvements Program	293,981,097	208,051,727	194,222,696	(13,829,031)	(6.6)%
Total	\$ 2,586,927,667	\$ 2,795,322,762	\$ 2,709,963,327	\$ (85,359,435)	(3.1)%

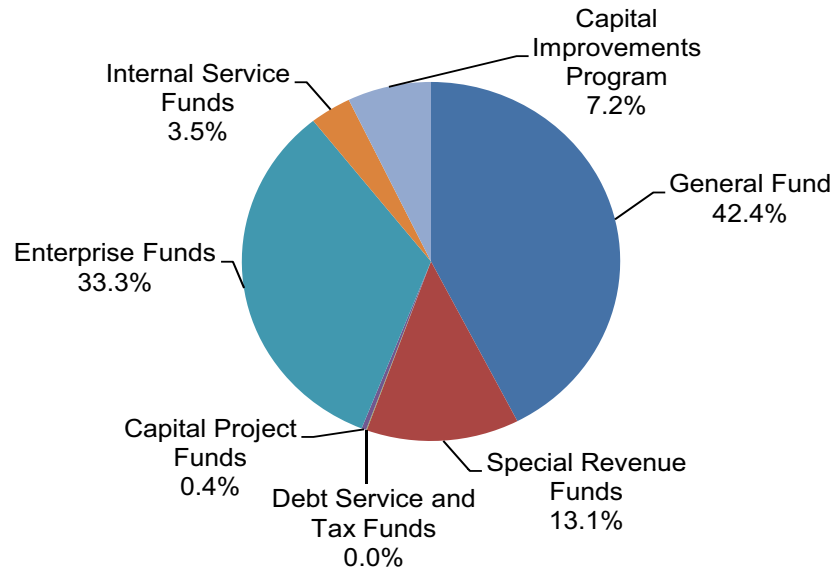
¹ The Fiscal Year 2013 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to the use of fund balance for the Kinder Morgan Litigation, Community Plan Updates, and Community Projects, Programs, and Services appropriations which are budgeted in each Council District.

² The Fiscal Year 2012 Adopted Budget included appropriations for the City Cooperation Agreement Funds.

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Figure 1 displays the Fiscal Year 2013 Proposed Expenditure Budget by fund type or program.

Figure 1: Fiscal Year 2013 Proposed Expenditure Budget by Fund Type



Note: Numbers may not add to 100% due to rounding.

Table 2 presents the changes in revenues from Fiscal Year 2011 to Fiscal Year 2013 by fund type.

Table 2: Total City Revenue Changes Fiscal Years 2011 - 2013 by Fund Type

Fund Type	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget	FY 2012 - FY 2013 Change	Percent Change
General Fund ¹	\$ 1,083,181,871	\$ 1,126,603,066	\$ 1,147,008,011	\$ 20,404,945	1.8%
Special Revenue Funds ²	293,521,047	379,737,672	337,875,554	(41,862,118)	(11.0)%
Debt Service and Tax Funds	5,107,613	1,558,150	1,200,000	(358,150)	(23.0)%
Capital Project Funds	15,915,211	38,442,633	27,135,229	(11,307,404)	(29.4)%
Enterprise Funds	961,779,998	1,098,086,611	992,410,637	(105,675,974)	(9.6)%
Internal Service Funds	115,990,420	122,767,874	104,712,174	(18,055,700)	(14.7)%
Total³	\$ 2,475,496,160	\$ 2,767,196,006	\$ 2,610,341,605	\$ (156,854,401)	(5.7)%

¹ The Fiscal Year 2013 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to the use of fund balance for the Kinder Morgan Litigation, Community Plan Updates, and Community Projects, Programs, and Services appropriations which are budgeted in each Council District.

² The Fiscal Year 2012 Adopted Budget included revenue for the City Cooperation Agreement Funds.

³ Non-General Fund operating revenues may be less than operating expenditures due to the use of fund balance.

General Fund

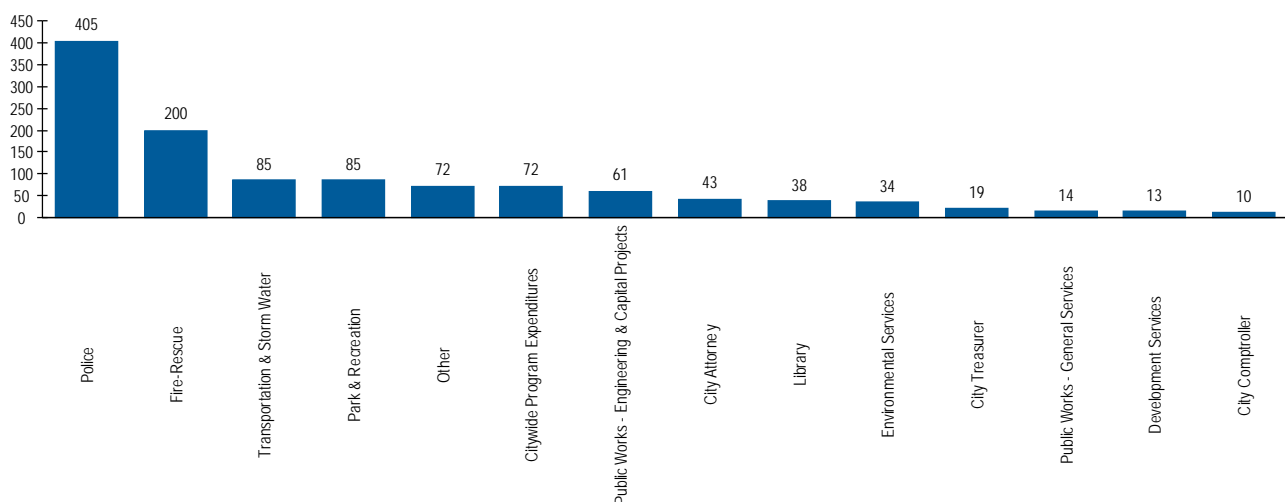
Departments within the General Fund provide core community services, such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.



The City's Fiscal Year 2013 Proposed Budget reflects General Fund expenditures totaling \$1.15 billion, representing an increase of \$21.8 million or 1.9 percent over the Fiscal Year 2012 Adopted Budget. The Fiscal Year 2013 Proposed General Fund Budget includes 7,105.42 budgeted full-time equivalent (FTE) positions, a net increase of 68.81 FTE positions from the Fiscal Year 2012 Adopted General Fund Budget. The net increase in General Fund positions is primarily due to the addition of positions related to the restoration of service hours at all branch libraries and recreation centers, additional fire prevention positions in the Fire-Rescue Department, added positions to restore weekly mowing for lighted athletic fields, and for the CIP Streamlining and Deferred Capital Program positions.

Figure 2 summarizes the Fiscal Year 2013 Proposed General Fund budgeted expenses by department. Only those departments with a total General Fund expenditure budget of over \$10.0 million are displayed. All other General Fund departments are combined in the "Other" category. For a complete review of the expenditures by department in the General Fund, refer to the Financial Summary and Schedules section of this volume.

Figure 2: Fiscal Year 2013 Proposed General Fund Expenditures by Department (in Millions)



Note: The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Department of Information Technology, Disability Services, Economic Development, Ethics Commission, Financial Management, General Fund Appropriated Reserve, Human Resources, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Personnel, Public Utilities, Purchasing & Contracting, and Real Estate Assets.

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Debt Service and Tax Funds

Debt Service Funds are used for the payment of principal and interest on the Series 1991 General Obligation Bonds for Public Safety Communication Project. The Tax Fund contains monies to pay for note interest and costs of issuance for the annual General Fund Tax and Revenue Anticipation Notes (TRANS) cash flow borrowing. The Fiscal Year 2013 Proposed Budget for Debt Service and Tax Funds totals \$1.2 million, which represents a decrease of approximately \$2.6 million or 68.1 percent from the Fiscal Year 2012 Adopted Budget. This decrease is primarily attributable to the debt service funds budget, in which the final payment for the Series 1991 General Obligation Bonds was budgeted in Fiscal Year 2012.

Debt service for all other City related financings, including General Fund lease revenue bonds and water and wastewater revenue bonds, are budgeted within the departments' operating budgets.

Capital Project Funds

Capital Project Funds are primarily used for the acquisition or construction of major capital facilities. This fiscal year's budget is comprised of the Capital Outlay Fund and TransNet Extension Fund. The Fiscal Year 2013 Proposed Budget for Capital Project Funds is \$11.5 million, which is a decrease of \$5.8 million or 33.4 percent from the Fiscal Year 2012 Adopted Budget. This decrease is primarily due to the removal of one-time TransNet ARRA (American Recovery and Reinvestment Act of 2009) funds for streets-related maintenance.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include Gas Tax and Transient Occupancy Tax (TOT). The Fiscal Year 2013 Proposed Operating Budget for Special Revenue Funds is \$354.6 million, representing a decrease of \$71.4 million or 16.8 percent from the Fiscal Year 2012 Adopted Budget. The net decrease of \$71.4 million is primarily due to the exclusion of appropriations for the Cooperation Agreement between the City and the Redevelopment Agency in Fiscal Year 2013.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. These funds include Water, Sewer, Development Services, Refuse Disposal, Recycling, Golf Course, and Airports. Typically, these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2013 Proposed Operating Budget for all Enterprise Funds is \$903.1 million, representing an increase of \$6.6 million or 0.7 percent from the Fiscal Year 2012 Adopted Budget. This increase is primarily the result of the following changes:

- The Public Utilities budget includes a net expenditure increase of approximately \$1.1 million primarily due to increases in supplies and contracts expenditures based on an analysis of prior year spending trends.
- Other Enterprise Fund departments increased by \$5.5 million primarily due to: (1) the restructure of inspection and plan review activities from the Fire-Rescue Department to the Development Services Department; (2) a one-time expenditure in the Airports Fund for the maintenance of airport facilities; and (3) and the addition of funding to increase participation of household curbside recycling in order to increase the City's diversion rate.

Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2013 Proposed Budget for Internal Service Funds

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totals \$95.2 million, which is a decrease of \$20.2 million or 17.5 percent from the Fiscal Year 2012 Adopted Budget. The net decrease of \$20.2 million is primarily due to (1) the closure of the Citywide Open Purchase Order program in the Central Stores Fund (purchases have been de-centralized to the departments); (2) savings in the Fleet Services Operating Fund resulting from the Managed Competition of Fleet Services;¹ and (3) savings from the new convenience copier contract in the Publishing Services Fund.

Capital Improvements Program

The Capital Improvements Program (CIP) budget allocates available revenue to rehabilitate, restore, improve, enhance, and increase the City's capital facilities. This fiscal year's budget is comprised of various funding sources, such as sewer and water rate fees, a one half-cent local sales tax for transportation improvements (TransNet Extension), development impact fees, Mission Bay lease revenue, and other City enterprise funds. The Fiscal Year 2013 Proposed CIP Budget totals \$194.2 million. This is a reduction of \$13.8 million or 6.6 percent from the \$208.1 million added to the multi-year CIP in the Fiscal Year 2012 Adopted CIP Budget.

The CIP budget identifies funding that may be received in the second half of Fiscal Year 2012 or was uncertain to be received in Fiscal Year 2013. This amount is reflected as Anticipated in the CIP project pages. For Fiscal Year 2013, a total of \$301.4 million in anticipated funding for CIP projects is included but will not be appropriated through this budget. This amount includes approximately \$75.0 million of bond financing that may be received in the second half of Fiscal Year 2012 and an additional \$80.0 million that may be received in Fiscal Year 2013 to support deferred capital projects. The remaining anticipated funding includes a variety of other funding sources such as donations, grants, and Facilities Benefit Assessments.

Summary of Major General Fund Budget Changes

This section shows the major contributors to the \$20.4 million or 1.8 percent increase in revenues and the \$21.8 million or 1.9 percent increase in expenditures in the General Fund in the Fiscal Year 2013 Proposed Budget. The Fiscal Year 2013 Proposed General Fund expenditures budget does not match the General Fund revenue budget due to the use of fund balance for the Kinder Morgan Litigation, Community Plan Updates, and Community Projects, Programs, and Services appropriations which are budgeted in each Council District.

General Fund Revenues

The General Fund's four largest revenue sources – property tax, sales tax, Transient Occupancy Tax (TOT), and franchise fees – account for approximately \$775.7 million or 67.5 percent of the total General Fund revenues. These four major revenues have increased \$40.6 million in the Fiscal Year 2013 Proposed Budget from the Fiscal Year 2012 Adopted Budget, while all other General Fund revenues have decreased \$20.4 million.

In Fiscal Year 2013 property tax is budgeted at \$389.1 million, an increase of \$8.2 million or 2.1 percent from the Fiscal Year 2012 Adopted Budget. The Fiscal Year 2013 Proposed Budget for property tax revenue is based upon the assumption that the local real estate market will continue to be stagnant but will maintain the increased collection rate experiences in Fiscal Year 2011 and projected for Fiscal Year 2012. The Fiscal Year 2013 proposed property tax budget also assumes that the City will experience slight growth in the assessed valuation. This projected increase in property tax is accompanied by forecasted increases in the other three major revenue sources. Sales tax is budgeted at \$234.4 million, which represents an increase of \$22.8 million or 10.8

¹ Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

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percent from the Fiscal Year 2012 Adopted Budget. This growth is due to the continued increases in sales tax revenue experienced throughout Fiscal Year 2012 and the forecasted growth projected in Fiscal Year 2013. Transient Occupancy Tax (TOT) is budgeted at \$80.5 million, an increase of \$5.7 million or 7.6 percent from the Fiscal Year 2012 Adopted Budget due to increases in local tourism and business travel. Franchise Fees are budgeted at \$71.7 million, an increase of \$3.9 million or 5.7 percent from the Fiscal Year 2012 Adopted Budget due to projected increases in San Diego Gas & Electric (SDG&E) and cable television franchise fee payments to the City.

Offsetting the increases in the General Fund's four largest revenue sources are decreases within the fines, forfeitures and penalties, licenses and permits, motor vehicles license fees, and interest earnings categories. In the Fiscal Year 2013 Proposed Budget, fines, forfeitures, and penalties are budgeted at \$31.1 million, a decrease of \$6.6 million or 17.5% from the Fiscal Year 2012 Adopted Budget. The decrease in fines, forfeitures, and penalties is due to a reduction in parking citation revenue and the recategorization of revenues to the charges for services category. Licenses and permits are budgeted at \$31.9 million, a decrease of \$3.4 million or 9.5% from the Fiscal Year 2012 Adopted Budget. This decrease is primarily due to the recategorization of Fire Department miscellaneous fee revenue to the charges for services category. Motor vehicles licenses fees (\$3.3 million in the Fiscal Year 2012 Adopted Budget) are not budgeted in Fiscal Year 2013 due to the State redirecting this revenue source to support public safety grants. Interest earnings are budgeted at \$1.4 million, a decrease of \$0.5 million or 28.3% from the Fiscal Year 2012 Adopted Budget. This decrease in interest earnings is based on the assumption that interest rates will remain near all time lows throughout Fiscal Year 2013.

These Fiscal Year 2013 major revenue projections are based on Fiscal Year 2012 year-end projections and economic data through December 2011, the most recent information available at the time the budget was prepared. Preparation of the Fiscal Year 2013 Proposed Budget incorporated an improved economic outlook when compared to previous years as is evidenced by the increases in property tax, sales tax and TOT. While an improved outlook was incorporated, the economy still remains slightly unstable. Therefore, General Fund revenues will continue to be monitored during Fiscal Year 2013 and, if necessary, the budget will be modified.

Table 3 displays the major changes in General Fund revenues from the Fiscal Year 2012 Adopted Budget to the Fiscal Year 2013 Proposed Budget.

Table 3: General Fund Revenue Adjustment Over Fiscal Year 2012 Adopted Budget

General Fund Revenue Adjustments	(in millions)
Property Tax	\$ 8.2
Sales Tax	22.8
Transient Occupancy Tax	5.7
Property Transfer Tax	1.2
Franchise Fees	3.9
Fines, Forfeitures, & Penalties	(6.6)
Licenses & Permits	(3.4)
Motor Vehicle License Fees	(3.3)
Interest Earnings	(0.5)
Other Revenue Adjustments	(7.6)
TOTAL REVENUE Adjustments¹	\$ 20.4

¹ Refer to General Fund Revenue section of this document for more detailed information regarding General Fund revenue increase.

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General Fund Expenditures

The net increase in the Fiscal Year 2013 Proposed General Fund Expenditures Budget is primarily due to the following: \$6.6 million to realign the Fire-Rescue Department's overtime budget, which is partially offset by a \$1.7 million increase in the Department's vacancy savings plus associated fringe savings; a \$6.1 million contribution to the Public Liability Reserve; \$6.0 million in funding for the Reserve for Information Technology (IT) Outsourcing; \$5.1 million for the debt service payment on the \$75 million bond anticipated to be issued in Fiscal Year 2012 for deferred capital; and \$2.5 million in service restorations, including funding to restore branch libraries and recreation center hours added in Fiscal Year 2012. Partially offsetting these increases are: a \$2.7 million reduction in General Fund transfer to the Police Decentralization Fund; a projected vacancy savings increase of \$2.7 million, resulting in a budgetary decrease in personnel expenditures; cost savings of \$3.0 million resulting from the Managed Competition of Fleet Services and Street Sweeping functions;¹ and a \$1.0 million cost savings resulting from the new convenience copier contract.

Table 4 displays the major changes to General Fund expenditures from the Fiscal Year 2012 Adopted Budget to the Fiscal Year 2013 Proposed Budget.

Table 4: General Fund Expenditure Adjustment Over Fiscal Year 2012 Adopted Budget

General Fund Expenditure Adjustments	(in millions)
Transfer to Police Decentralization Fund	\$ (2.7)
Vacancy Savings Adjustment	(2.7)
Fleet Managed Competition Savings ¹	(2.3)
Election Cost	(1.1)
Other Expenditure Adjustments	(1.1)
Copier Contract Savings	(1.0)
Street Sweeping Managed Competition Savings ¹	(0.7)
Delivery Services Reorganization	(0.4)
Fire-Rescue Overtime Budget Realignment	6.6
Public Liability Reserve	6.1
Reserve for IT Outsourcing	6.0
Deferred Capital Debt Service	5.1
Police TOW Program	2.4
Storm Water CIP Transfer	1.6
Support for Fire Prevention Inspections	1.2
Restoration of Branch Library Hours	1.0
Non-discretionary (insurance, energy, debt service, etc.)	0.7
Facility Maintenance	0.7
Fire Academy Costs	0.6
CIP Streamlining - Deferred Capital Program	0.6
Restoration of Weekly Mowing at Lighted Athletic Fields	0.5
Restoration of Recreation Center Hours	0.4
Restoration of Fire Pits	0.2
Fire Boat Lease Purchases	0.1
Total Expenditure Adjustments	\$ 21.8

¹ Subject to the City's obligations under Meyers-Millas-Brown Act (MMBA) and City Council Policy 300-06.

Table 5 represents the expenditure change in the General Fund from the Fiscal Year 2011 Actual to the Fiscal Year 2013 Proposed Budget.

¹ Subject to the City's obligations under the Meyers-Millas-Brown Act (MMBA) and City Council Policy 300-06.

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Table 5: General Fund Expenditure Summary Fiscal Years 2011 - 2013

	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Total General Fund Budget	\$ 1,080,370,714	\$ 1,128,388,274	\$ 1,150,176,954
Percent Change from Previous Year		4.4%	1.9%

Table 6 identifies the allocation of General Fund dollars to the Police and Fire-Rescue Departments compared to the other General Fund departments. In Fiscal Year 2013, the General Fund Proposed Budget increased by approximately \$21.8 million or 1.9 percent from Fiscal Year 2012, with the Police and Fire-Rescue Departments receiving approximately 52.5 percent of the total General Fund expenditures and other General Fund departments receiving 47.5 percent of the total General Fund expenditures.

Table 6: General Fund Expenditure Summary Fiscal Years 2011 - 2013 by Category

	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Police and Fire-Rescue Budgets	\$ 584,457,449	\$ 591,674,302	\$ 604,343,838
Percent of Total General Fund Budget	54.1%	52.4%	52.5%
Other General Fund Department Budgets	\$ 495,913,265	\$ 536,713,972	\$ 545,833,116
Percent of Total General Fund Budget	45.9%	47.6%	47.5%

Total City Personnel

The Fiscal Year 2013 Proposed Budget includes a total of 10,059.44 FTE positions with 7,105.42 or 70.6 percent of these positions budgeted within the General Fund. **Table 7** presents the change in positions from Fiscal Year 2012 to Fiscal Year 2013.

Table 7: Total City FTE Position Changes Fiscal Year 2012 - 2013

Fund Type	FY 2012 Adopted Budget	Additions	Reductions	Reorganizations	FY 2013 Proposed Budget	FY 2012 - FY 2013 Change	Percent Change
General Fund	7,036.61	114.00	(32.99)	(12.20)	7,105.42	68.81	1.0%
Special Revenue Funds ¹	259.60	3.00	(36.96)	1.00	226.64	(32.96)	(12.7)%
Enterprise Funds	2,371.42	6.75	(21.13)	11.20	2,368.24	(3.18)	(0.1)%
Internal Service Funds	378.62	9.02	(90.50)	-	297.14	(81.48)	(21.5)%
Other Funds	62.00	-	-	-	62.00	-	-%
TOTAL	10,108.26	132.77	(181.58)	-	10,059.44	(48.81)	(0.5)%

¹ Total number of budgeted positions includes positions from Maintenance Assessment Districts (MADs).

The Fiscal Year 2013 Proposed Budget represents a net reduction in the City's budget of 48.81 FTE positions from the Fiscal Year 2012 Adopted Budget. The net reduction is a result of eliminating 181.58 FTE filled and vacant positions combined with the addition of 132.77 FTE positions. The eliminated positions are positions that are no longer funded in the City's budget and represent a real reduction in labor costs. The position additions are primarily due to service restorations, including

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personnel related to increased operational hours in 55 recreation centers and all 35 branch libraries, increased Fire Prevention Inspectors, and increases associated with the CIP streamlining process. The reductions are primarily related to the savings resulting from the City's successful bids from the Fleet Services and Street Sweeping Managed Competitions¹ and the dissolution of the Redevelopment Agency.

As shown in **Table 7**, of the 68.81 net FTE position change to the General Fund, a net 11.20 FTE positions were transferred to the Enterprise Funds, a net 1.00 FTE position was transferred to the Internal Service Funds, 114.00 FTE positions are new, and 32.99 FTE positions have been reduced. The 32.96 position net change to the Special Revenue Funds is the result of 1.00 FTE position transferred from the Internal Service Funds, 3.00 new FTE positions, and 36.96 FTE positions being reduced. Of the 3.18 net FTE change in positions in the Enterprise Funds, a net 11.20 FTE positions were transferred in from the General Fund, 6.75 FTE positions were added, and 21.13 FTE positions were reduced. In the Internal Service Funds, 9.02 FTE positions have been added and 90.50 FTE positions have been reduced.

Table 8 further illustrates the proposed budgeted FTE positions, salaries and wages, fringe, and total personnel expenditures by fund type. A total of \$675.0 million has been budgeted for salaries and wages, and \$427.1 million budgeted for fringe expenditures resulting in a total budget of \$1.10 billion in personnel expenditures citywide.

Table 8: Fiscal Year 2013 Proposed Personnel Expenditures Budget

Fund Type	Budgeted FTE Positions	Budgeted Salaries and Wages	Budgeted Benefits	Budgeted Personnel Expenses
General Fund	7,105.42	\$ 509,038,452	\$ 321,080,498	\$ 830,118,950
Special Revenue Funds	226.64	16,136,076	9,943,355	26,079,431
Enterprise Funds	2,368.24	129,370,837	82,844,795	212,215,632
Internal Service Funds	297.14	16,044,069	10,552,389	26,596,458
Other Funds	62.00	4,441,528	2,685,267	7,126,795
Total	10,059.44	\$ 675,030,962	\$ 427,106,304	\$ 1,102,137,266

Table 9 shows the change in the number of budgeted positions in the General Fund over the last three fiscal years. In Fiscal Year 2013, General Fund positions increased by a net 68.81 FTE positions or approximately 1.0 percent from the Fiscal Year 2012 Adopted Budget. This net increase is primarily due to service restorations, including personnel related to increased operational hours in 55 recreation centers and all 35 branch libraries, increased Fire Prevention Inspectors, positions added to restore weekly mowing for lighted athletic fields, and increases associated with the CIP streamlining process.

¹ Subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

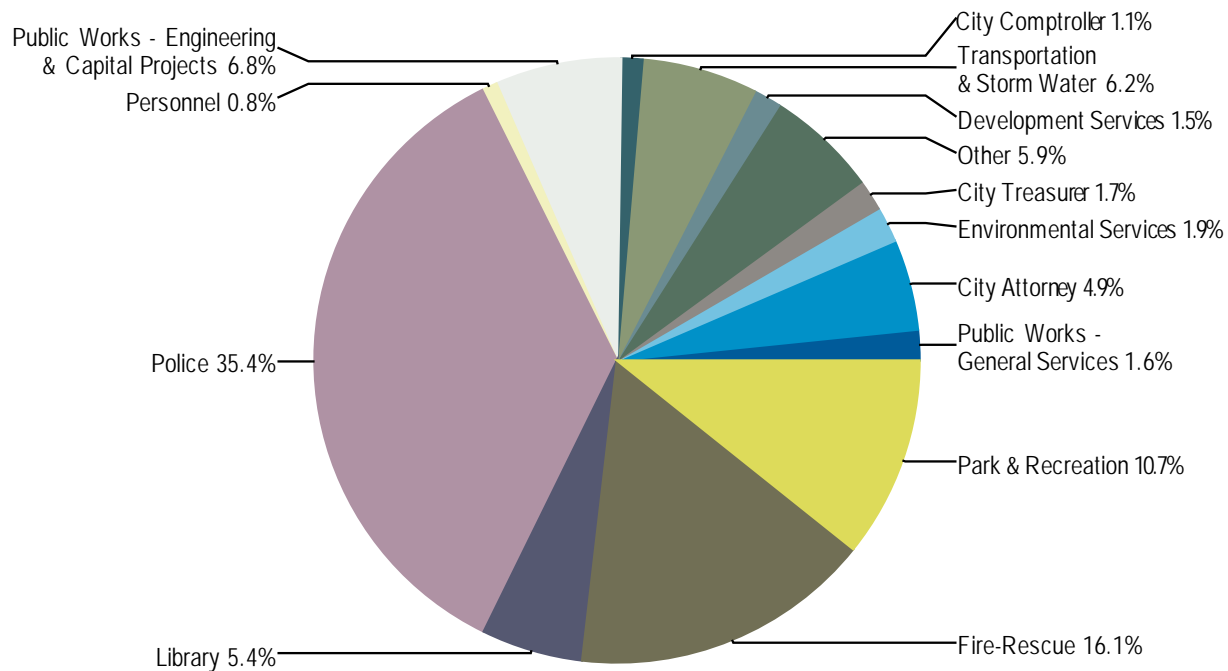
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Table 9: General Fund FTE Position Summary Fiscal Years 2011 - 2013

	FY 2011 Adopted Budget	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Total General Fund Budgeted FTE Positions	7,067.98	7,036.61	7,105.42
Percent Change from Previous Year	(4.4)%	(0.4)%	1.0%

Figure 3 summarizes the Fiscal Year 2013 General Fund FTE positions by department. Only those departments with over 50 General Fund budgeted FTE positions are displayed. All other General Fund departments are combined under the "Other" category. For a detailed look at the budgeted FTE positions in the General Fund refer to the Financial Summary and Schedules section of this Volume.

Figure 3: Fiscal Year 2013 Proposed General Fund FTE Positions by Department



Note: The Other category includes: Administration, Business Office, City Auditor, City Clerk, City Council, Debt Management, Disability Services, Economic Development, Ethics Commission, Financial Management, Human Resources, Office of Homeland Security, Office of the Assistant COO, Office of the Chief Financial Officer, Office of the Chief Operating Officer, Office of the IBA, Office of the Mayor, Purchasing & Contracting, and Real Estate Assets.

Table 10 represents the allocation of FTE positions per employee labor group within each fund type. The largest employee labor group, Municipal Employees Association (MEA), represents 37.5 percent of General Fund positions and 43.4 percent of all City positions.

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Table 10: Fiscal Year 2013 Proposed FTE Positions by Labor Group

Labor Group	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Labor Group Total
MEA	2,667.69	75.02	1,447.09	135.27	39.00	4,364.07
IAFF LOCAL 145	886.00	29.00	10.00	-	-	925.00
ASFCME LOCAL 127	843.28	60.00	784.44	139.00	-	1,826.72
POA	1,949.85	-	-	-	-	1,949.85
Teamsters Local 911	136.40	-	-	-	-	136.40
SPDCAA	136.47	-	-	-	-	136.47
Classified / Unrepresented	145.64	29.37	68.45	18.02	6.00	267.48
Unclassified / Unrepresented	330.09	33.25	58.26	4.85	17.00	443.45
Elected Officials	10.00	-	-	-	-	10.00
Fund Total	7,105.42	226.64	2,368.24	297.14	62.00	10,059.44

Table 11 displays the percentage of positions in the Police and Fire-Rescue Departments compared to the remaining General Fund departments. The Fiscal Year 2013 Proposed Budgets for the Police and Fire-Rescue Departments include 3,658.25 FTE positions or approximately 51.5 percent of total General Fund FTE positions. The budgeted positions in the Police Department decreased from 2,514.85 FTE positions in Fiscal Year 2012 to 2,513.85 FTE positions in the Fiscal Year 2013 Proposed Budget due to an increase of 2.00 FTE positions to support the Parking Enforcement unit and the reduction of 3.00 Auto Messenger 1s. In the Fire-Rescue Department, the number of FTE positions decreased from 1,148.89 FTE positions to 1,144.40 FTE positions primarily due to the transfer of the New Construction Inspections and Plan Review Group to the Development Services Department combined with the addition of Fire Prevention Inspector 2s.

Table 11: General Fund FTE Position Summary Fiscal Years 2011 - 2013 by Category

	FY 2011 Adopted Budget	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Police and Fire-Rescue Budgets	3,684.29	3,663.74	3,658.25
Percent of Total General Fund Budget	52.1%	52.1%	51.5%
Other General Fund Department Budgets	3,383.69	3,372.87	3,447.17
Percent of Total General Fund Budget	47.9%	47.9%	48.5%

The Fiscal Year 2013 Proposed Budget reduces a net 48.81 FTE positions from the City's budget. This is in addition to the net elimination of 1,536.08 FTE positions in the previous six fiscal year budgets. The Fiscal Year 2013 position cuts that have been included in this budget are part of the Mayor's ongoing effort to streamline the City's workforce. **Table 12** shows the total number of net FTE position reductions from Fiscal Year 2007 through Fiscal Year 2013. Note that the Fiscal Year 2011 amount excludes the addition of the 189.98 FTE positions due to the conversion of hourly and temporary wage expenses to FTE positions. These positions do not represent an increase in salary and wages to the City, but represent an improvement in budgeting and accounting for labor costs.

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Table 12: Total City FTE Position Reductions by Fiscal Year

FY 2007 Adopted Budget	FY 2008 Adopted Budget	FY 2009 Adopted Budget	FY 2010 Adopted Budget ¹	FY 2011 Adopted Budget ²	FY 2012 Adopted Budget	FY 2013 Proposed Budget	Total
(38.00)	(629.71)	(57.82)	(157.18)	(539.53)	(113.84)	(48.81)	(1,584.89)

¹ Includes the elimination of 150.95 FTE positions as part of the Fiscal Year 2009 Revised Budget approved by City Council.

² Includes the elimination of 523.79 FTE positions as part of the Fiscal Year 2011 General Fund Proposed Budget approved by City Council in December 2009.

Total Budgeted Fringe Allocations

Total budgeted fringe allocations represent personnel costs that are non-wage related. A significant portion of the total budgeted fringe allocations are considered fixed fringe costs. Fixed fringe costs are expenditures that meet specific obligations established through agreements with the labor unions, City ordinances, or the City's Reserve Policy, regardless of current FTE count or salary amounts. Fixed fringe costs include the San Diego City Employees' Retirement System's (SDCERS) Annual Required Contribution (ARC), and contributions for Workers' Compensation, Long-Term Disability, Other Post-Employment Benefits (OPEB), and Risk Management Administration (RMA). These expenditures account for \$330.1 million or 77.3 percent of budgeted fringe in Fiscal Year 2013. The remaining budgeted fringe allocations are variable to payroll activity such as reductions or additions in staff and salary increases or decreases.

Table 13 displays the citywide fringe allocation which totals \$427.1 million for Fiscal Year 2013 of which \$321.1 million or 75.2 percent is budgeted in the General Fund.

Table 13: Fiscal Year 2013 Proposed Budgeted Fringe by Fund Type

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Retirement ARC	\$ 179,888,066	\$ 5,046,450	\$ 40,011,847	\$ 4,987,842	\$ 1,293,866	\$ 231,228,071
Supplemental Pension Savings Plan	11,006,944	619,185	6,495,825	748,112	184,334	19,054,400
Retirement Offset Contribution	642,368	17,033	298,104	25,581	8,090	991,176
Retirement DROP	1,540,458	50,520	353,880	58,378	19,065	2,022,301
Employee Offset Savings	9,078,285	272,641	1,045,315	119,927	94,220	10,610,388
Workers' Compensation	23,012,912	438,511	3,855,769	418,110	115,108	27,840,410
Flexible Benefits	38,352,077	1,532,109	12,561,272	1,714,804	435,255	54,595,517
Risk Management Administration	6,713,725	226,835	2,180,611	299,565	60,436	9,481,172
Long-Term Disability	2,876,879	100,155	798,198	100,871	29,630	3,905,733
Unemployment Insurance	1,275,758	44,280	352,424	44,891	13,019	1,730,372
Medicare	5,586,442	196,247	1,559,179	198,736	57,496	7,598,100

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Table 13: Fiscal Year 2013 Proposed Budgeted Fringe by Fund Type (Cont'd)

Fringe Type	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Other Funds	Fringe Totals
Other Post-Employment Benefits ¹	40,946,135	1,383,474	13,288,771	1,828,434	368,532	57,815,346
Retirement 401 Plan	128,687	12,733	34,975	5,711	4,973	187,079
Retiree Medical Trust	31,761	3,182	8,626	1,427	1,243	46,239
Fund Type Totals	\$ 321,080,498	\$ 9,943,355	\$ 82,844,795	\$ 10,552,389	\$ 2,685,267	\$ 427,106,304

¹ Reflects the annual pay-as-you-go portion of \$39.5 million and also reflects the contribution of \$18.3 million for defined contribution payments to pre-fund future liabilities.

City Retirement Contributions

The City's payment for retirement benefits in Fiscal Year 2013 is budgeted at \$233.9 million and is described below:

- The SDCERS ARC is \$231.1 million and assumes no negative amortization with the use of a 20-year amortization schedule of the Unfunded Actuarial Accrued Liability (UAAL). Approximately \$179.9 million or 77.8 percent of the ARC is budgeted in the General Fund.
- The Retirement Offset Contribution (ROC) represents the amount of City employees' retirement contributions that the City pays as an offset for employees. The Fiscal Year 2013 Proposed Budget amount is \$991,176, a \$206,570 increase over the Fiscal Year 2012 Adopted Budget.
- In addition, \$1.7 million is budgeted in the Citywide Program Expenditures Department for the Preservation of Benefits Plan contribution to SDCERS to cover benefit payments in excess of Internal Revenue Service (IRS) limits.

The Retiree Health or Other Post Employment Benefits (OPEB) UAAL as of June 30, 2011 is approximately \$1.13 billion and the ARC was determined to be \$94.4 million. This valuation assumes a 6.40 percent discount rate. The City is not funding the OPEB UAAL on an actuarial basis. The City entered into an agreement on January 18, 2008 with the CalPERS Employer Retiree Benefit Trust (CERBT) to pre-fund expenses related to post-employment healthcare benefits. As of March 21, 2012, the market value of the CERBT is \$119.6 million.

In Fiscal Year 2013, the City is scheduled to contribute \$57.8 million for the retiree health care benefit. This amount is based on the agreement with labor organizations where the City's funding limit for Fiscal Years 2011 to 2015 will be capped at \$57.8 million and will not increase by more than 2.5 percent from year to year thereafter. This agreement is projected to reduce the City's unfunded retiree health care liability and the OPEB ARC. For Fiscal Year 2013, the \$57.8 million contribution is comprised of \$39.5 million for the estimated annual retiree health benefits payments (pay-as-you-go) and \$18.3 million for defined contribution payments and pre-funding retiree health care benefits.

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Employee Offset Savings (EOS)

The labor negotiations in Fiscal Year 2005 resulted in the reduction of the City's Retirement Offset Contribution. These agreements specified that the savings the City realizes as a result of this reduction must be used to address the City's pension UAAL. Each City department is charged based upon its respective payroll and these funds are transferred into the EOS account. In Fiscal Year 2006, the City issued approximately \$100 million in Tobacco Securitization Bonds and transferred these funds to



SDCERS as a contribution to the pension system above the ARC to address the UAAL. In order to backfill the Tobacco Settlement Revenues securitized in Fiscal Year 2006 and to protect the programs previously supported with the Tobacco Settlement Revenues, a portion of the EOS funds is transferred each year to the General Fund. The Fiscal Year 2013 Proposed Budget includes Employee Offset Savings of \$10.6 million, which is budgeted as an expense to all City departments and revenue to the respective funds.

Retirement DROP

In accordance with the Deferred Retirement Option Program (DROP) adopted in Fiscal Year 1997, the City is required to match 3.05 percent of the DROP participants' salary. The Fiscal Year 2013 Proposed Budget for Retirement DROP is \$2.0 million.

Workers' Compensation

State Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and to provide benefits for workers (and their dependents) who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2013 Proposed Budget is \$27.8 million, which includes funding of \$5.9 million toward the City Workers' Compensation Fund reserve in accordance with the City's reserve policy.

Long-Term Disability

The Long-Term Disability (LTD) contribution in the Fiscal Year 2013 Proposed Budget is \$3.9 million. This contribution includes funding of \$1.9 million toward the Long-Term Disability Fund Reserves.

Flexible Benefits

An Internal Revenue Service (IRS) qualified cafeteria-style benefits program is offered to all eligible employees. All employees in one-half, three-quarter, or full-time status are eligible. The Fiscal Year 2013 Proposed Budget for Flexible Benefits is \$54.6 million.

Supplemental Pension Savings Plan (SPSP) and New Retirement Plan

In January 1982 the City established the Supplemental Pension Savings Plan (SPSP). SPSP accounts provide a way for eligible employees to add to their savings for retirement income, which is in addition to SDCERS' benefits. Employees hired before July 1, 2009 must pay a mandatory 3 percent and can voluntarily contribute up to an additional 3.05 percent for employees hired after July

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1, 1986, or 4.5 percent for employees hired on or before July 1, 1986. This amount is deducted from employees' paychecks and placed into an SPSP account for the employee. The City also matches these contributions up to 6.05 percent and this amount is deposited into the employee's SPSP account. The Fiscal Year 2013 Proposed Budget for SPSP is \$19.1 million. This reflects an increase of \$3.1 million over the Fiscal Year 2012 Adopted Budget, which is primarily the result of an increased amount of MEA employees choosing to participate in fifty-two (52) hours of mandatory furlough rather than waiving the City's match to employee mandatory contributions as their labor concession option.

A new retirement plan for general members hired on or after July 1, 2009 is now in effect and includes a defined contribution savings plan with a mandatory employee contribution of 1.0 percent of payroll and a retiree medical trust with a mandatory employee contribution of 0.25 percent of payroll. These amounts are deducted from employees' paychecks and placed into the employees' accounts. The City matches these contributions. The Fiscal Year 2013 Proposed Budget for this new retirement plan is \$187,079 and is based on a count of 319 general members as of December 2011.

Risk Management Administration

The Risk Management Administration (RMA) rate is established to support the appropriated expenditures that fund all of the programs and services provided by the Risk Management Department, which is an Internal Service Fund. These services include the administration of Workers' Compensation, Public Liability and Loss Recovery, Safety and Environmental Health Services, Employee Benefits, Savings Plans, Long-Term Disability, and Employee Assistance programs. The Fiscal Year 2013 Proposed Budget for Risk Management Administration is \$9.5 million.

Medicare

Medicare is a federal tax established by the Federal Insurance Contributions Act (FICA) that all employees and employers are required to pay. The application of this rate applies to all City employees and is based on earned income, including any earned income related to overtime and other employee special pays. The Fiscal Year 2013 Proposed Budget for Medicare is \$7.6 million.

Unemployment Insurance

Unemployment Insurance provides temporary unemployment benefits to eligible workers who are unemployed and meet State law eligibility requirements to receive the benefit. The Fiscal Year 2013 Proposed Budget for Unemployment Insurance is \$1.7 million.



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Funding of Annual Leave

In the past, the City had not completely budgeted for the additional expense of Annual Leave paid to employees who end their employment with the City with leave balances. While a portion of annual leave expense has been absorbed in departmental budgets, there will be a large number of employees with high leave balances expected to retire over the next several years. The Fiscal Year 2013 Proposed Budget includes \$1.7 million citywide and is based on anticipated retirements from the Deferred Retirement Option Plan (DROP) within the fiscal year and the projected value of the accrued annual leave balance.



Vacancy Savings

As part of the development of the Fiscal Year 2013 Proposed Budget, the City is estimating an amount of personnel savings or vacancy savings by department that is attributable to: vacancies, attrition, extended leaves of absence, savings related to under-filled positions, and newly hired employees that may start at a lower salary than the salary of the vacated position. The development of estimated vacancy savings in the budget incorporated input from departments regarding current and anticipated staffing levels as well as information on vacant reimbursable positions. Savings from vacant reimbursable positions have been excluded from the estimated vacancy savings as the City does not realize savings due to offsetting revenue for these unfilled positions. These estimates of vacancy savings will require that departments appropriately manage their Fiscal Year 2013 personnel expenditures to their available allocated appropriations. The Fiscal Year 2013 proposed vacancy savings is \$33.3 million, representing an increase of \$2.7 million or 8.6 percent from the Fiscal Year 2012 vacancy savings. The increase in overall vacancy savings is primarily due to increased savings applied to the Fire-Rescue Department to offset an increase to the Department's overtime budget and to bring the personnel expenditures budget in line with historic actuals.

Table 14 displays the changes in budgeted vacancy savings from Fiscal Year 2011 to Fiscal Year 2013.

Table 14: Budgeted Vacancy Savings Fiscal Years 2011 - 2013

Department/Fund	FY 2011 Adopted Budget	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Administration	\$ 59,363	\$ 59,363	\$ 59,363
City Attorney	572,760	742,777	965,386
City Clerk	\$29,931	43,618	54,059
City Comptroller	236,881	185,494	162,177
City Treasurer	269,567	174,844	172,412
Council Administration	-	42,791	-
Council District 2	60,736	-	-
Council District 5	-	-	60,736

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Table 14: Budgeted Vacancy Savings Fiscal Years 2011 - 2013 (Cont'd)

Department/Fund (Cont'd)	FY 2011 Adopted Budget	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Council District 6	121,472	-	-
Council District 7	-	60,736	-
Debt Management	54,059	29,931	54,059
Development Services	367,973	105,373	187,481
Economic Development	-	107,932	66,768
Environmental Services	437,111	142,584	221,162
Ethics Commission	-	130,000	-
Financial Management	59,467	73,445	65,291
Fire-Rescue	3,184,994	3,352,885	5,127,420
Library	1,363,745	197,059	645,753
Office of Homeland Security	-	-	66,768
Office of the Mayor	66,768	-	58,157
Park & Recreation	1,766,811	762,859	931,673
Personnel	39,666	31,491	59,114
Police	11,448,164	8,803,882	8,810,215
Public Works - Engineering & Capital Projects	1,965,166	1,094,124	1,065,503
Public Works - General Services	2,001,370	597,544	514,800
Purchasing & Contracting	255,601	120,681	49,109
Real Estate Assets	-	59,363	54,059
Storm Water	550,306	-	-
Transportation & Storm Water	-	674,480	815,820
Total General Fund	\$ 24,911,911	\$ 17,593,256	\$ 20,267,285
Airports Fund	113,422	54,059	59,363
Central Stores Fund	115,232	36,067	116,688
City Employee's Retirement System Fund	369,242	345,052	343,897
Development Services Fund	8,152,340	7,297,648	7,546,230
Energy Conservation Program Fund	-	-	59,363
ERP Fund	-	65,416	65,416
Facilities Financing Fund	118,726	59,363	42,578
Fire/Emergency Medical Services Transport Program Fund	922,607	52,520	-
Fleet Services Operating Fund	440,479	349,105	44,366
Golf Course Fund	390,228	136,272	123,843
HUD Programs Administration Fund	54,059	-	-
Information Technology Fund	109,855	34,611	109,855
Local Enforcement Agency Fund	60,674	60,674	60,674
Maintenance Assessment District (MAD) Management Fund	-	54,059	42,578
Publishing Services Fund	207,168	28,870	-
QUALCOMM Stadium Operations Fund	102,774	74,297	62,005
Recycling Fund	455,530	186,868	157,874

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Table 14: Budgeted Vacancy Savings Fiscal Years 2011 - 2013 (Cont'd)

Department/Fund (Cont'd)	FY 2011 Adopted Budget	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Redevelopment Fund	153,556	86,788	-
Refuse Disposal Fund	779,322	311,543	294,666
Risk Management Administration Fund	170,862	132,185	126,714
Sewer Funds	1,782,198	1,917,881	2,022,723
Water Utility Operating Fund	1,331,253	1,659,710	1,665,969
Wireless Communications Technology Fund	189,862	119,205	66,685
Total Non-General Fund	\$ 16,019,389	\$ 13,062,193	\$ 13,011,486
Total	\$ 40,931,300	\$ 30,655,449	\$ 33,278,771

Citywide Reorganization/Restructuring

The Fiscal Year 2013 Proposed Budget reflects the restructuring of several departments as a result of executive management and department-initiated reorganizations. Reorganization includes restructuring of departments and major divisions within a department and is intended to increase the overall efficiencies and effectiveness of City operations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2013 Proposed Budget.

Department of Information Technology

A new division, IT Services Sourcing, was created to align with the recommended organization structure necessary for the City's new IT sourcing strategy. This new division will be responsible for managing contracts with vendors who provide IT support to the City.

Enterprise Resource Planning Department

The Enterprise Resource Planning Department has become a division of the Department of Information Technology.

Public Works - General Services Communications Division

The Communications Division of the Public Works - General Services Department was transferred to the Department of Information Technology.

Park & Recreation Redistricting

The Park & Recreation Department's Community Parks I and Community Parks II Divisions are structured geographically by Council District. The recently approved re-districting has moved Council boundaries and created a new Council District. Each Division will now manage recreation services and facilities by Council District as follows:

Community Parks I - Council Districts 1, 2, 5, 6, 7

Community Parks II - Council Districts 3, 4, 8, 9

Public Utilities

The Employee Services and Internal Controls Division of the Public Utilities Department was re-titled to Employee Services and Quality Assurance. Additionally, a new division, Environmental Monitoring and Technology Services, was created.

Delivery Services Reorganization

The City's delivery services function was consolidated into the Central Stores Division of the Purchasing & Contracting Department from five different City departments. This consolidation will improve the efficiency of delivering items, such as mail, library books, confidential information, and supplies, to City facilities.

Public Works Contracting

The Contracting group of the Purchasing & Contracting Department has been transferred to the Public Works - Engineering & Capital Projects Department.

Public Use Leases

The Public Use Leases collection function of the Development Services Department was transferred to the Citywide Program Expenditures Department.

New Construction Inspections and Plan Review Group

The New Construction Inspections and Plan Review Group of the Fire-Rescue Department was transferred to the Development Services Department.

Convention Center

The Convention Center Expansion Project Fund was consolidated with the Convention Center Expansion Administration Fund.

Junior Lifeguard Program Fund

The Junior Lifeguard Program Fund is a newly budgeted Fund in Fiscal Year 2013 for the administration of the Fire-Rescue Department's Junior Lifeguard Program.

GIS Fund

The GIS Fund is a newly budgeted Fund in Fiscal Year 2013 for the SanGIS Joint Powers Agreement between the City of San Diego and County of San Diego.

Fiscal Actions in the Fiscal Year 2013 Proposed Budget

The City of San Diego remains committed to sustaining the important fiscal reforms that have restored the credibility of the City, addressing its financial obligations, and meeting its responsibility to provide essential core services to San Diego residents. With the Fiscal Year 2013 Proposed Budget, the City's structural budget deficit has been solved. This signifies that current revenues are sufficient to cover current services on an on-going basis, and that the projected deficit for Fiscal Year 2013 that was identified in the Fiscal Year 2013 - 2017 Five-Year Financial Outlook has been solved. This is mainly due to two factors: (1) the City's pension ARC payment for Fiscal Year 2013 is now lower than originally projected; and (2) major revenues are showing stronger signs of growth than initially forecasted. Projections of future revenues are expected to equal or exceed future expenditures related to the current service levels, signifying an end to further service reductions and the use of one-time funding for on-going obligations.

The Fiscal Year 2013 Proposed Budget contains funding for the full payment of the pension ARC, funding for retiree health pay-go and a contribution to the retiree health trust, funding for storm water obligations, funding for deferred capital, and funding to restore library and recreation center hours that will be added in Fiscal Year 2012. This budget also includes funding for additional service restorations and enhancements, which are described in more detail in the following sections.

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Funding the Pension Plan

The Fiscal Year 2013 Proposed Budget includes full funding for the City's annual pension contribution, which is a critical component of the City's long-term fiscal health and stability. For Fiscal Year 2013, the SDCERS ARC was determined by SDCERS' actuarial valuation to be \$231.3 million as of June 30, 2011. Subsequent to the actuarial valuation, SDCERS' actuary released an updated pension ARC of \$231.1 million. This amount is included in the Fiscal Year 2013 Proposed Budget.

Maintaining Reserves

Healthy reserves help insulate City services against costs of emergencies such as natural disasters. In addition, the City's reserves are one of several factors considered by rating agencies and a strong reserve balance is an important credit feature. The City currently maintains several reserves for its operations, including the Emergency Reserve for the General Fund (established to fund unanticipated liabilities for natural disasters, catastrophic occurrences, and judgments), Development Services Reserve funds, Risk Management Reserve funds, and Public Utilities Reserves, among others.

The City's Reserve Policy calls for: a) the maintenance of adequate reserve levels for all of its reserves including the Emergency Reserve and the Appropriated Reserve in the General Fund; b) enhanced operating reserves for Enterprise Funds such as Water and Wastewater; c) a capital reserve; and d) other types of reserves. As amended by the City Council on December 5, 2011, the City's Reserve Policy defines a goal of having a minimum of 8.0 percent of General Fund revenues held in reserves by Fiscal Year 2012. For Fiscal Year 2013, the General Fund Reserve is projected to be \$120.8 million or 10.5 percent of General Fund Revenues, which exceeds the reserve target of 8.0 percent.

The Fiscal Year 2013 Proposed Budget includes a Worker's Compensation contribution of \$27.8 million, which includes funding of \$5.9 million to achieve the 27.0 percent goal of value of outstanding claims as specified in the City's Reserve Policy. The \$5.9 million contribution to the Workers' Compensation Reserve will increase the reserve level to a projected \$40.3 million.

In addition, the Fiscal Year 2013 Proposed Budget includes a \$6.1 million contribution to the Public Liability Fund Reserve. The Fiscal Year 2013 goal for the Public Liability Reserve is 19.0 percent of outstanding claims according to the City's Reserve Policy. The \$6.1 million contribution to the Public Liability Reserve will increase the reserve level to a projected \$23.2 million.

Reserve for Information Technology (IT) Outsourcing

The Fiscal Year 2013 Proposed Budget includes \$6.0 million in funding for a General Fund Reserve for IT Outsourcing. This funding is anticipated to be used for the General Fund transition costs associated with the new IT services contract. Uses for this funding will be included in the Mayor's May Revision following approval of the new IT services contract by the City Council in April 2012.

Retiree Health Care Costs

The City continues to fund retiree health care benefits, otherwise known as Other Post Employee Benefits (OPEB), as this annual cost is expected to increase substantially in future years. As of the June 30, 2011 actuarial valuation, the citywide OPEB ARC is \$94.4 million for the City's post-retirement medical benefit program. The valuation assumed a 6.40 percent discount rate and determined a total actuarial accrued liability of \$1.13 billion. The Fiscal Year 2013 Proposed Budget includes \$57.8 million for OPEB, based on the agreements with all six labor organizations to modify the retiree health benefit for all eligible City employees. This agreement is projected to reduce the City's unfunded retiree health care liability and OPEB ARC. This amount is comprised of \$39.5 million for the annual retiree health benefits payments (pay-as-you-go) and \$18.3 million for defined

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contribution payments and pre-funding retiree health care benefits in a trust fund administered by CalPERS, the California Employers' Retiree Benefits Trust.

Municipal Storm Water Permit Compliance

Compliance with the Municipal Storm Water Permit required by the California Regional Water Quality Control Board significantly impacts the City's budget. The Fiscal Year 2013 Proposed Budget includes \$33.8 million to fund programs to comply with the permit requirements. These programs include storm water pollution prevention, street sweeping, and storm drain maintenance.

Deferred Capital

Based on information available in 2011, the City has a current backlog of approximately \$898 million for deferred capital/maintenance projects for streets, building, and storm drain infrastructure funded by the General Fund. This backlog was identified by conducting extensive condition assessments, some of which are still in progress. Of the \$898 million, \$478 million is related to streets, \$185 million is attributed to buildings, and \$235 million is related to storm drains. Annual \$100 million bond issuances were included in the Fiscal Year 2013 - 2017 General Fund Financial Outlook to address the deferred capital backlog.

Subsequent to the release of the Five-Year Outlook, a working group consisting of the Mayor's Office, Independent Budget Analyst's (IBA) Office, and Council District 3 staff, was established to develop a consensus five-year funding approach for deferred capital funding. As a result of this working group, the Mayor's Office presented funding options to the Budget and Finance Committee on February 8, 2012 as alternatives to the funding proposal in the Outlook.



On March 20, 2012, the City Council approved a funding option which provides for bond funding totaling \$415.4 million over the five-year period, and increasing annual O&M funding from \$45.8 million in Fiscal Year 2013 to a level of \$73.8 million by Fiscal Year 2017. In addition, the City Council approved the use of up to \$8.3 million of the projected \$16.5 million General Fund surplus for Fiscal Year 2012 to increase cash funding of deferred capital projects in Fiscal Year 2013, raising the O&M level from \$45.8 million to \$54.1 million. While the Mayor is in support of this action, the \$8.3 million is not included in the Fiscal Year 2013 Proposed Budget due to the uncertainty of the exact surplus that will be available. An updated projection for Fiscal Year 2012 will be released in May 2012. At that time, the status of the current year projected surplus will be updated and the projected net surplus will be determined and included in the May Revision.

Service Restorations and Enhancements

The Fiscal Year 2013 Proposed Budget contains funding for service restorations and enhancements, which are described in detail below.

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Increase in Recreation Center Operations

The Fiscal Year 2013 Proposed Budget includes the addition of 13.80 FTE positions and \$393,935 in associated expenditures to restore five hours per week to operations at 55 recreation centers. This will increase total operational hours at these recreation centers from 40 hours per week to 45 hours per week.

Increase in Branch Library Operations

The Fiscal Year 2013 Proposed Budget includes 23.10 FTE positions and the addition of \$1.0 million in expenditures to restore five hours per week to operations at all 35 branch libraries. This will increase total operational hours at all branch Libraries from 36 hours per week to 41 hours per week, allowing all branches to be open six days per week.

Fire Academy

Included in the Fiscal Year 2013 Proposed Budget is \$582,398 for the implementation of one 30-member Fire Academy to replace firefighters who have separated from City service. The budget includes funding for pre-employment activities, required medical exams, supplies and equipment, and core instructors and coordinators.

Weekly Mowing For Lighted Athletic Fields

The Fiscal Year 2013 Proposed Budget includes the addition of 3.00 FTE positions and \$514,339 in expenditures and revenues to restore weekly mowing for lighted athletic fields.

Facility Maintenance

The Fiscal Year 2013 Proposed Budget includes \$400,000 in funding for deferred maintenance in the City Administration Building as indicated in the Fiscal Year 2013 - 2017 Five-Year Financial Outlook. In addition, 9.00 FTE positions are being reallocated from CIP projects to support facility maintenance for Park & Recreation and Library facilities.

Deferred Capital Maintenance Support

As part of the CIP streamlining effort to address the deferred capital maintenance backlog, 1.00 FTE position from the Administration Department, 5.00 FTE positions from the Public Works - Engineering & Capital Projects Department, and 1.00 FTE position from the Transportation & Storm Water Department, and associated expenditures and revenues totaling \$634,255 have been included in the Fiscal Year 2013 Proposed Budget.

Restoration of Fire Pits

The addition of 2.00 FTE positions and \$170,925 in expenditures is incorporated in the Fiscal Year 2013 Proposed Budget to restore 186 fire rings located along the ocean front and mission bay shorelines.

Fire Boat Lease Purchases

The Fiscal Year 2013 Proposed Budget includes \$94,550 in funding to lease purchase one fireboat and two surf rescue boats under the Equipment Vehicle and Financing Program. While debt service payments will begin in Fiscal Year 2014, the Fiscal Year 2013 Proposed Budget includes funding for the sales tax associated with these purchases.

Fire Prevention Positions

The Fiscal Year 2013 Proposed budget includes the addition of 8.00 FTE fire prevention positions and associated personnel expenditures of \$1.2 million to provide appropriate staffing in order to meet inspection goals. These expenditures will be fully reimbursed through fire prevention inspection fees.

Measures Incorporated in the Fiscal Year 2013 General Fund Proposed Budget to Address the Projected \$31.8 Million Deficit

On October 12, 2011, the Mayor released the Fiscal Years 2013 - 2017 Five-Year Financial Outlook (Outlook), which identified a projected General Fund deficit of \$31.8 million in Fiscal Year 2013. In order to mitigate this deficit, a combination of cost saving measures and other on-going solutions has been incorporated into the Fiscal Year 2013 Proposed Budget. In addition, a substantially lower than projected annual required contribution pension payment for Fiscal Year 2013 as determined by SDCERS' actuarial valuation has been included in the Fiscal Year 2013 Proposed Budget. The corrective actions are described in detail below.



Annual Pension Payment

The Outlook included a projected citywide annual required contribution (ARC) pension payment of \$256.6 million for Fiscal Year 2013, of which \$198.0 million was the projected General Fund portion. The citywide ARC pension payment for Fiscal Year 2013, later determined by SDCERS' actuary as of June 30, 2011, is \$231.1 million, which is \$25.5 million less than projected in the Outlook. The General Fund portion of this payment is \$179.9 million, which is \$18.1 million less than originally projected. This lower than projected ARC payment has been incorporated into the Fiscal Year 2013 Proposed Budget.

Major Revenues

Based upon the most current revenue projections for Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees for Fiscal Year 2013, the Fiscal Year 2013 Proposed Budget includes \$775.7 million for these revenue sources. This is an increase of \$10.5 million over the Outlook's projection of \$765.2 million for these revenues in Fiscal Year 2013. More detailed information related to Major General Fund Revenue can be found in the General Fund Revenues section of this volume.

Deferred Capital Debt Service

In addition to the bond issuance in Fiscal Year 2009, the Outlook projected a second bond issuance of \$100 million in Fiscal Year 2012 with an associated debt service payment in Fiscal Year 2013 of \$7.2 million to further address General Fund deferred capital projects. Based on a bond issuance of \$75 million to be issued in the last quarter of Fiscal Year 2012, the Fiscal Year 2013 Proposed Budget includes a debt service payment of \$5.1 million, which is \$2.1 million less than projected in the Outlook.

Fleet Services Managed Competition

The City's vehicle maintenance function was competitively bid under the Managed Competition process in Fiscal Year 2011. On October 13, 2011, the Mayor announced that City employees won the bid to perform maintenance for the vehicles used in City operations, reducing the cost of vehicle maintenance by 13 percent annually, with no service level reductions. The Fiscal Year 2013 Proposed Budget includes citywide savings of \$4.4 million, with savings to the General Fund of \$2.3

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million. This is subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

Street Sweeping Managed Competition

The City's Street Sweeping function was competitively bid under the Managed Competition process in Fiscal Year 2012. On February 8, 2012, the Mayor announced that City employees won the bid to perform the City's street sweeping work, reducing the cost of sweeping the City's streets by 12 percent annually, with no service level reductions. The Fiscal Year 2013 Proposed Budget includes a reduction of 9.00 FTE positions and General Fund savings of \$666,909 for this purpose. This is subject to the City's obligations under the Meyers-Milias-Brown Act (MMBA) and City Council Policy 300-06.

Fire Alert System

The Outlook includes \$2.7 million in Fiscal Year 2013 to fully fund the Fire-Rescue Department's Station Alerting project. This amount will be transferred to the SDFD Station Alerting capital improvement project in Fiscal Year 2012 using a portion of the Fiscal Year 2012 year-end projected surplus; therefore, the Fiscal Year 2013 Proposed Budget does not include funding for this project.

Delivery Services Reorganization

The City's delivery services function was consolidated into the Central Stores Division of the Purchasing & Contracting Department from five different City departments. This consolidation will improve the efficiency of delivering items, such as mail, library books, confidential information, and supplies, to City facilities and will save the General Fund \$372,689 in personnel and non-personnel expenditures. As part of this consolidation, a total of 3.00 FTE positions were reduced from the Library Department and 3.00 FTE positions were removed from the Police Department. Additionally, 5.00 FTE positions were transferred from the Library Department to the Central Stores Division of the Purchasing & Contracting Department.

Sharp Copier Contract

On November 1, 2011, the City Council unanimously approved a contract with Sharp Business Systems to provide the City with convenience and production photocopiers. The new contract with Sharp is estimated to yield \$1.3 million in savings citywide. The Fiscal Year 2013 Proposed Budget includes a reduction of \$1.0 million to General Fund Departments and \$366,705 to Non-General Funds for this purpose.

User Fees

User fees are charged for services provided by the City of San Diego to residents and businesses. The City's User Fee Policy provides guidelines for establishing a comprehensive user fee schedule and requires that the full cost of services be identified and all fees be categorized according to the level of cost recovery. The objective of the Policy is to bring existing fee levels in line with service costs to ensure that all reasonable costs incurred in the provision of services are being recovered.

The User Fee Policy also states that a comprehensive user fee study shall be conducted every three years. During Fiscal Year 2012, the City has completed a comprehensive study on all General Fund user fees. Fees proposed to be adjusted for Fiscal Year 2013 will be presented for City Council approval during the second half of Fiscal Year 2012.

The Fiscal Year 2013 Proposed Budget includes a net increase of \$1.1 million in user fee revenues based on the proposed adjustments to be presented for City Council approval. Recommended user fee adjustments are scheduled to be reviewed by the Budget and Finance Committee on April 25, 2012.

General Fund Revenues

General Fund revenues depend on growth not only in the local economy, but are also affected by the State and national economies. The General Fund revenue estimates included in the Fiscal Year 2013 Proposed Budget are based on Fiscal Year 2012 year-end projections and economic data through December 2011, the most recent information available at the time the budget was prepared. Preparation of the Fiscal Year 2013 Proposed Budget incorporated an improved economic outlook when compared to previous years as is evidenced by the increases in property tax, sales tax and TOT. While an improved outlook was incorporated, the economy still remains slightly unstable. Therefore, General Fund revenues will continue to be monitored during Fiscal Year 2013 and, if necessary, the budget will be modified.

Development of the Fiscal Year 2013 General Fund revenue budget considers and incorporates a wide variety of economic data in an effort to accurately forecast revenue amounts. The following are some of the economic indicators and assumptions that were used in the preparation of the Fiscal Year 2013 Proposed Budget for the General Fund. In most cases, the indicators used to prepare the Fiscal Year 2013 Proposed Budget were as of December 2011.

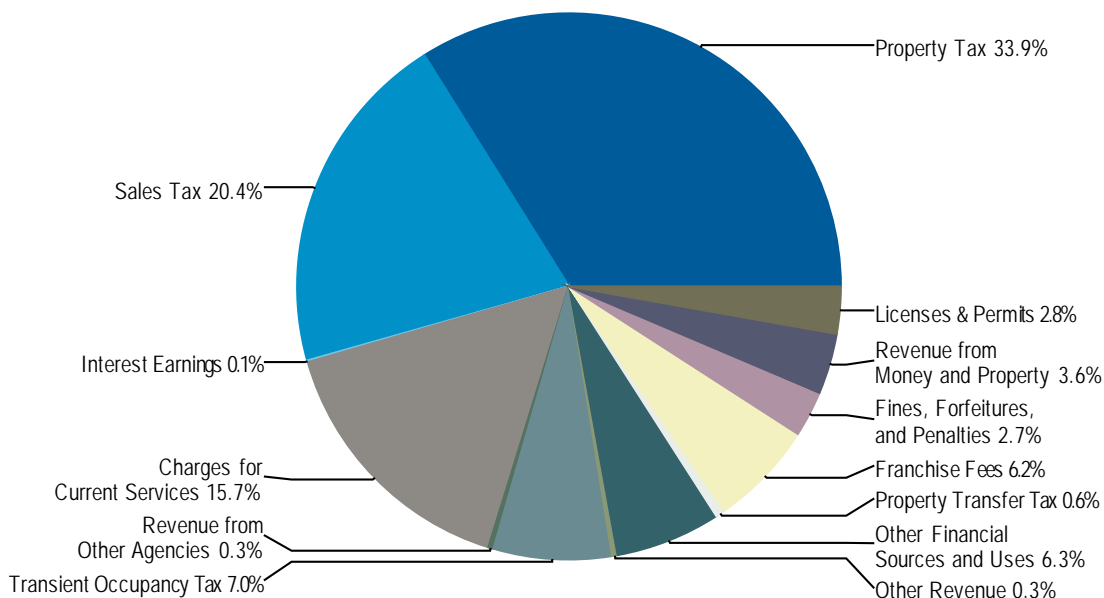
- The Index of Leading Economic Indicators for San Diego County has increased 5.5 percent over the last twelve months (as of December 2011) from an index level of 110.7 to 117.1 (University of San Diego, Index of Leading Economic Indicators).
- San Diego County's consumer confidence index has decreased 3.0 percent over the past twelve months (as of December 2011) from an index level of 68.7 to 66.52 (University of San Diego, Index of Leading Economic Indicators).
- Consumer spending in the City of San Diego on taxable items for the prior twelve months, as of December 2011, increased 11.6 percent as compared to the prior year (MuniServices).
- San Diego's unemployment rate was 9.0 percent as of December 2011, a decrease of 1.1 percent from the 10.1 percent as of December 2010. Since development of the Fiscal Year 2013 Proposed Budget the City's unemployment rate has ticked up slightly to 9.3% as of February 2012.
- Home sales in San Diego for calendar year 2011 totaled 35,444, which is a decline of 3.3 percent from the 36,638 home sales in calendar year 2010. However, the total number of home sales in December 2011 increased 3.9 percent from the number of sales in December 2010 (San Diego County Assessor/Recorder/Clerk's Office).
- The median countywide home price as of December 2011 was \$325,718 which is a decrease of 4.8 percent from the December 2010 median home price of \$342,258 (DataQuick Information Systems).
- Countywide foreclosures in calendar year 2011 totaled 12,216 which is a decline of 9.3 percent from the 13,466 in calendar year 2010. Notices of default, an indicator of potential future foreclosure levels, totaled 22,101 in calendar year 2011, a decline of 11.0 percent from the 24,835 notices of default in calendar year 2010 (San Diego County Assessor/Recorder/Clerk's Office).
- The City's median income is forecasted to grow 4.9 percent from approximately \$50,000 to \$52,500 from calendar year 2010 to 2015 (San Diego Association of Governments).
- The County of San Diego consumer price index (CPI) increased 3.4 percent in the first half of calendar year 2011 (United States Bureau of Labor Statistics).

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Despite the increases in sales and transient occupancy tax, there is uncertainty as to the pace at which the local economy will fully recover due to the slow recovery of the local housing market. The City will continually monitor economic information and revenue distribution amounts throughout Fiscal Year 2013 and adjust forecasted revenue levels as necessary.

Figure 4 displays the Fiscal Year 2013 Proposed Budget General Fund Revenues by Major Revenue Category.

Figure 4: Fiscal Year 2013 General Fund Revenues - \$1.15 Billion



Note: Numbers may not add to 100% due to rounding.

Table 15 demonstrates the growth rates for Fiscal Years 2011 to 2013 for the major General Fund revenues. Forecasting of revenue growth rates is important in determining funding for most General Fund expenditures.

Table 15: Major Revenue Growth Rate

Major Revenue Sources	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Proposed Budget
Property Tax	(0.1)%	0.0%	0.5%
Sales Tax ¹	1.3%	4.0%	5.0%
Transient Occupancy Tax	0.2%	4.0%	5.0%
Franchise Fees²			
SDG&E	0.0%	3.0%	2.0%
Cable Franchise Fees	1.6%	3.0%	4.0%

¹ Does not include Proposition 172 sales tax. Growth rate in taxable sales is 5.0%, percentage increase in revenue differs due to triple flip & accrual process.

² Franchise fees do not include underground utility surcharge.

Redevelopment Agencies

The State Legislature passed two bills in June 2011 that had a severe impact on redevelopment agencies Statewide. One bill dissolved redevelopment agencies effective October 1, 2011, and redirected local property tax increment to replace State funding of contributions toward schools and other agencies. The second bill allowed for any redevelopment agency to continue to exist as long as its counterpart city pays an annual remittance amount to the local county auditor, which then would be disbursed to local schools and other local agencies.

On July 18, 2011, the California Redevelopment Agency filed a petition with the California Supreme Court, seeking to invalidate this legislation, which resulted in an injunction issued by the Supreme Court allowing certain provisions of the legislation to continue, but suspending the other provisions.

The Supreme Court's final opinion, issued on December 29, 2011, upheld the Dissolution Act ((AB) x 1 26), invalidated Alternative Voluntary Redevelopment Program Act ((AB) x 1 27), and concluded that the Dissolution Act ((AB) x1 26) could be enforced independently. This opinion set in motion short timeframes for agencies and legislative bodies to take necessary actions to comply with the unwinding of the redevelopment agencies pursuant to AB 26.

On January 10, 2012 the City Council designated the City to serve as the Successor Agency to the Redevelopment Agency of the City of San Diego and to retain the assets and assume the responsibilities pursuant to State law. As of February 1, 2012, the Redevelopment Agency of the City of San Diego was dissolved and its rights, powers, duties and obligations were vested in the Successor Agency. The Successor Agency and its Oversight Board (which is expected to be formed by May 2012) will oversee the replacement of the RDA's affairs and the liquidation of the RDA's unencumbered assets for distribution to counties, school districts and other local public agencies.

The fiscal impact to the City of San Diego is dependent on the review and potential challenge of the Enforceable Obligation Payment Schedule (EOPS) and the subsequent Recognized Obligation Payment Schedule (ROPS) documents, which will govern the Successor Agency's payments. State law limits the "administrative cost allowance" available to the Successor Agency. Any costs to the Successor Agency beyond those allowed by law would impact the City's General Fund. These costs could be offset by increased property tax revenues distributed to the City, given that a portion of the tax increment revenue previously allocated to the former redevelopment agencies of the City of San Diego will be reallocated to the City and other local taxing entities as general property taxes, to the extent that the Successor Agency does not need the continued property tax revenue in order to pay enforceable obligations. The actual level of funds that the City may utilize in fulfilling its role as the Successor Agency will not be known until the County Auditor/Controller, Oversight Board, State Department Of Finance, and State Controller review items listed in the EOPS and the ROPS. To the extent additional information becomes known, it will be incorporated into the May Revision.

State of California Budget Impacts

On January 5, 2012, Governor Brown proposed a budget for Fiscal Year 2012-13 (the "2012-2013 Governor's Budget"), which stated that, without corrective action, the State faced a budget gap of \$9.2 billion in Fiscal Year 2013, comprised of a Fiscal Year 2012 budget shortfall of \$4.1 billion and a Fiscal Year 2013 budget shortfall of \$5.1 billion.

The 2012-2013 Governor's Budget proposed a total of \$10.3 billion in cuts and revenues to balance the budget and to rebuild a \$1.1 billion reserve. The cornerstone of the 2012-2013 Governor's Budget is the assumption that the voters will approve temporary increases in personal income and sales taxes through an initiative that the Governor has proposed to be on the November 2012 ballot. The 2012-2013 Governor's Budget estimated that \$6.9 billion would be generated with the passage

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of this measure, and that the funds would be used to pay for Proposition 98 school funding obligations and to help balance the budget by paying for other state programs, including funding for public safety at the local level. In addition, the 2012-2013 Governor's Budget proposed significant reductions to social services and child care programs and additional state borrowing.

Actions in the proposed 2012-2013 Governor's Budget that will impact the City are described in greater detail below.

Motor Vehicle License Fee Rate

The State passed SB89 which eliminated MVLF revenues for local governments (\$3.3 million in the Fiscal Year 2012 Adopted Budget) and redirected this revenue to provide public safety grants to local governments in the form of Citizen's Options for Public Safety (COPS) and to provide offsets to booking fees that are required to be paid by the City. As a result of SB89, the Fiscal Year 2013 Proposed Budget includes no MVLF revenues.

Gasoline Taxes

The Fiscal Year 2013 Proposed Budget includes \$14.9 million to be received in Proposition 42 'replacement revenue'¹ and \$20.7 million in Highway Users Tax Account (HUTA) gas tax. The State's restructuring of gasoline taxes allows both HUTA and the Proposition 42 replacement revenues' to be redirected back to the State's general fund at any time if the State's legislature votes in majority to do so. The 2012-2013 Governor's Budget does not include redirection of these local revenue sources.

Fiscal measures taken by the State continue to be monitored by the City for their potential effects on General Fund revenues and expected cash flows. If necessary, changes to projected revenues included in the Fiscal Year 2013 Proposed Budget due to actions taken by the State will be addressed in the City's Fiscal Year 2013 Adopted Budget.

Fiscal Policies

The City has made progress in developing sound fiscal policies to guide decision making. The City has established new policies to address Mid-Year Budget Adjustments and funding for Community Projects, Programs, and Services, and continues to modify existing policies and procedures to foster responsible fiscal management. A detailed explanation of these fiscal policies is included in the Fiscal Policies section of this Volume.

Economic Recovery

The City has made it a top priority to focus on economic recovery and regaining fiscal stability through a number of programs and initiatives:

- Business Support and Expansion Programs
- Economic Roundtables
- Small Business Development Programs

The City's economic policies will also continue to focus on the growth of its economic base. This base primarily consists of four "clusters" or groups of related industries: manufacturing, international trade and logistics, tourism, and the military.

¹ Generated from flat 17.3 cent per gallon tax, which replaced the 6 percent tax that generated Proposition 42 revenue prior to Fiscal Year 2011.

Reengineering and Competitive Government

The Reengineering Program oversees the City's Business Process Reengineering (BPR) studies, conducts efficiency studies, and provides support for management reforms and effectiveness improvements. In this time of decreasing revenues, the Reengineering Program helps identify efficiency gains that can permit "smart" budget reduction proposals and works to improve efficiency to support organizational success, even in an environment of fewer resources.

BPR is the redesign of work processes (activities, services, or functions) for substantial improvement. Efficiency studies also aim to improve efficiency and effectiveness, but are more flexible in their approach to problem solving.

Competitive government is defined as a government with processes in place to validate that service quality and costs are as good as, or superior to, any legitimate provider available. This may be achieved via direct outsourcing, managed competition, benchmarking, and bid-to-goal processes.

The first competition under the Managed Competition program was won by the Publishing Service Employee Proposal Team; upon completion of the transition, the employees' proposal will result in nearly \$1.0 million in annual savings starting in Fiscal Year 2012. The second competition was won by the Fleet Maintenance Employee Proposal Team; upon completion of the transition, the employees' proposal will result in \$4.4 million in annual savings starting in Fiscal Year 2013. The third competition was won by the Street Sweeping Employee Proposal Team; upon completion of the transition, the employees' proposal will result in over \$0.5 million in annual savings starting in Fiscal Year 2013.

In Fiscal Year 2013, the City looks forward to awarding at least six more Managed Competition contracts and to transitioning to contractual relationships that will yield significant savings for the City.

City Management Program

The City Management Program (CMP) integrates strategic planning and performance monitoring efforts with the budget decision-making process. Its goal is to create a more strategically-oriented organization that optimizes its operations to serve the City's residents in the most effective and efficient way possible. Consistent with Balanced Scorecard principles, the CMP is designed to infuse accountability for performance into City services at every level of the organization. In addition, the CMP improves communication within the City and to the residents of the City, it instills accountability into our actions, and supports data-based decision making.

Being strategic and proactive in its approach to governance is integral to achieving the City's goals. The CMP is intended to ensure that the City creates and adheres to its goals and priorities. The use of strategic planning enables the City to map its goals and manage the tools and resources necessary for achieving them. The strategic planning process takes a top-down approach beginning with the formulation of the City Strategic Plan at the citywide level and subsequent development of tactical plans at the department level that are aligned with it.

New goals and objectives for Fiscal Year 2012 and sizing/workload data have not been included in the department budget narratives because of changes resulting from budget reductions and updates planned for the City Strategic Plan. Implementation of changes resulting from budget reductions occurred in phases over the course of Fiscal Year 2012, making it difficult to provide reliable projections of service levels and performance targets. In addition, future updates of the City's Strategic Plan will likely result in new City goals, objectives, strategies, and performance measures. However, key performance measures for each Mayoral department and some non-Mayoral

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departments¹ have been included in the Key Performance Indicators section in Volume II. This section includes measures considered by the departments to be integral in achieving their mission, as well as supportive of the City's Strategic Plan. For the Fiscal Year 2013 Proposed Budget, departments have reported their Fiscal Year 2011 actuals, Fiscal Year 2012 estimates, and Fiscal Year 2013 targets for each performance measure to show past, current, and planned performance.

During the Budget and Finance Committee meeting held on March 14, 2012, the Independent Budget Analyst presented a list of proposed performance measures which were selected to represent City Council priorities in five broad areas: Community Services; Business and Economic Development; Infrastructure Maintenance and Enhancement; Environment and Sustainability; and Efficient, Effective, and Economical Government. These proposed measures are currently undergoing review by departments for inclusion in the Fiscal Year 2013 Adopted Budget.

¹ Non-Mayoral departments include the City Auditor, City Clerk, and Office of the IBA. For Non-Mayoral departments, the inclusion of key performance indicators is at the discretion of the department.